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FUNDY REGION
Development Commission Inc.

ANNUAL REPORT
1998/1999

Serving Rural Charlotte, Kings and St. John Counties

101-04848/

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1.0 CHAIRMAN'S REPORT

Mr. Gerald Ingersoll
Chairman

1998-99 was a year of tremendous transition for the Fundy Region Development Commission. It began with our annual general meeting in Saint John at which I was given the trust to chair this board and it ended with the opening of our second new facility, our new Head Office in St. Andrews. In between, we moved from the Saint John offices and set up temporary locations in Sussex and St. Andrews, and established our Sussex location with an official opening in March. We also had a downsize of staff which left us with our three regular employees at the end of this annual year.

I would like to thank our General Manager, our Economic Development Officer, Mike Rouse, and our Administrative Support person, Joan Davidson for the loyalty in contributions to our work in the last year. In what is usually a troubling time for employees is characterized by their strong commitment to helping us relocate and establish our new work mandate as a rural commission.

Throughout the transition we depended greatly on the assistance of the Department of Economic and Development Tourism and Culture to assist us. We also were shown the support of ACOA and other Provincial Departments and the municipalities of St. Andrews and Sussex, which added greatly to the worth of our work.

In closing I would like to remember the family of Al Beardal, a long term economic developer who passed away during the period of time he was providing support service to us in this year of transition. Our condolences to his wife and family.

To the new board I would like to thank you very much for your willingness to participate in economic development and provide your experience and interest in directing this development commission. I look forward to the contributions that we may be able to make together in economic development in the year to come.

Gerald Ingersoll
Chairman

2.0 GENERAL MANAGER'S REPORT

Mr. James Balcomb
General Manager

The Fundy Region Development Commission completed its transition to becoming strictly a rural focus for the 70,000 residents of rural Charlotte, Kings and Saint John counties. The new Kings County Economic Development Center was opened in Sussex where we are co-located with the Community Business Development Corporation. St. Andrews is home to the new Charlotte County Economic Development Center. These new centers will serve as the anchors for the implementation of the coordinated regional economic development workplan and strategies of our partners from several government departments working in a team approach. New entrepreneurs and existing small business owners in the rural areas can now more easily receive counselling and assistance at either of the two centers.

During 1998-1999, 905 clients were assisted by the FRDC staff, resulting in the creation of 42 new businesses and 3 expansions. The total cost of these projects was over $2,982,472, with $2,226,866 in financial assistance being received through various government programs with the assistance of the FRDC. While access to government loans continues to be an important coordinating role for the Commission, the majority (75%) of our time spent with our 905 clients was for general business counselling and assistance in the development of their business plans. Although the aquaculture and tourism sectors continue to create additional jobs throughout the region, the manufacturing sector has also provided increased employment. Sticks and Stones Manufacturing, SWP Industries and Crown Tanks, all in St. Stephen, Cards Aquaculture Products Ltd. in St. George, and Quartzitec and Commercial Tent in Sussex have established or expanded operations primarily due to increased export demand.

Rural Fundy Region is now also involved in the growing applied information technology sector with the recent announcement of Virtual Agent Services locating the first rural-based inbound call center in Sussex. This is a first in North America where call center employees will be able to work from their homes.

In closing, I wish to express my gratitude to the commission's directors, economic development partners and staff, current and past, for their assistance and indulgence as we transformed into a smaller organization with strictly a rural development mandate. As a result of this restructuring, staff members Greg Landry and Roxanne Sappier have left the Commission. I wish to thank both Greg and Roxanne for the dedication and professionalism they exhibited over the years. We wish them well in their future endeavors.

James F. Balcomb
General Manager

3.0 BOARD OF DIRECTORS/STAFF

Board of Directors (as of March 31, 1999):

Member Municipality	Director	Occupation
Sussex	Gil Carter	Manager, Quartzitec
St. George	Stan Smith	McCormick Minerals
St. Andrews	William Robertson	Manager of East Coast Operations - Connors Bros. Ltd.
St. Martins	Barb McIntyre	Securities Registration Officer
Sussex Corner	Garth Long	Financial Planner
Grand Manan	Joey Green	Fisherman
Director at Large	Neil McKelvey, OC, QC	Counsel, Stewart McKelvey Stirling Scales
	Peter Frye	President, Bayside Stevedoring
	Gerald Ingersoll	Principal, New Brunswick Community College, St. Andrews

EXECUTIVE OFFICERS

Gerald Ingersoll	Chairman
Neil McKelvey	Past Chairman
Barb McIntyre	Vice Chairman
Open	Treasurer
Gil Carter	Secretary
Peter Frye	Director At Large

BOARD OF DIRECTORS/COMMITTEE MEETINGS

Three board and five executive meetings were held during the 1998/99 fiscal year.

COMMISSION STAFF/OPERATIONS

James Balcomb, BSc (Dalhousie), MBA (UNB)	General Manager
Michael Rouse, BBA, BEd (UNB), EcD.	Economic Development Officer
Joan Davidson	Administration
Ken Watkins	Economic Development Officer

4.0 BUSINESS COUNSELLING

4.1 Client Contact

During the past year, Commission staff have assisted **905** clients at the offices in St. Andrews, Sussex, and Saint John, municipal offices and at the entrepreneurs' place of business.

These contacts include:

♦ Visits to Clients	262
♦ In Office Client Visits	252
Total	**514**

Assistance was also provided to an estimated **391** individuals by telephone, mail or e-mail.

4.2 Client Counselling

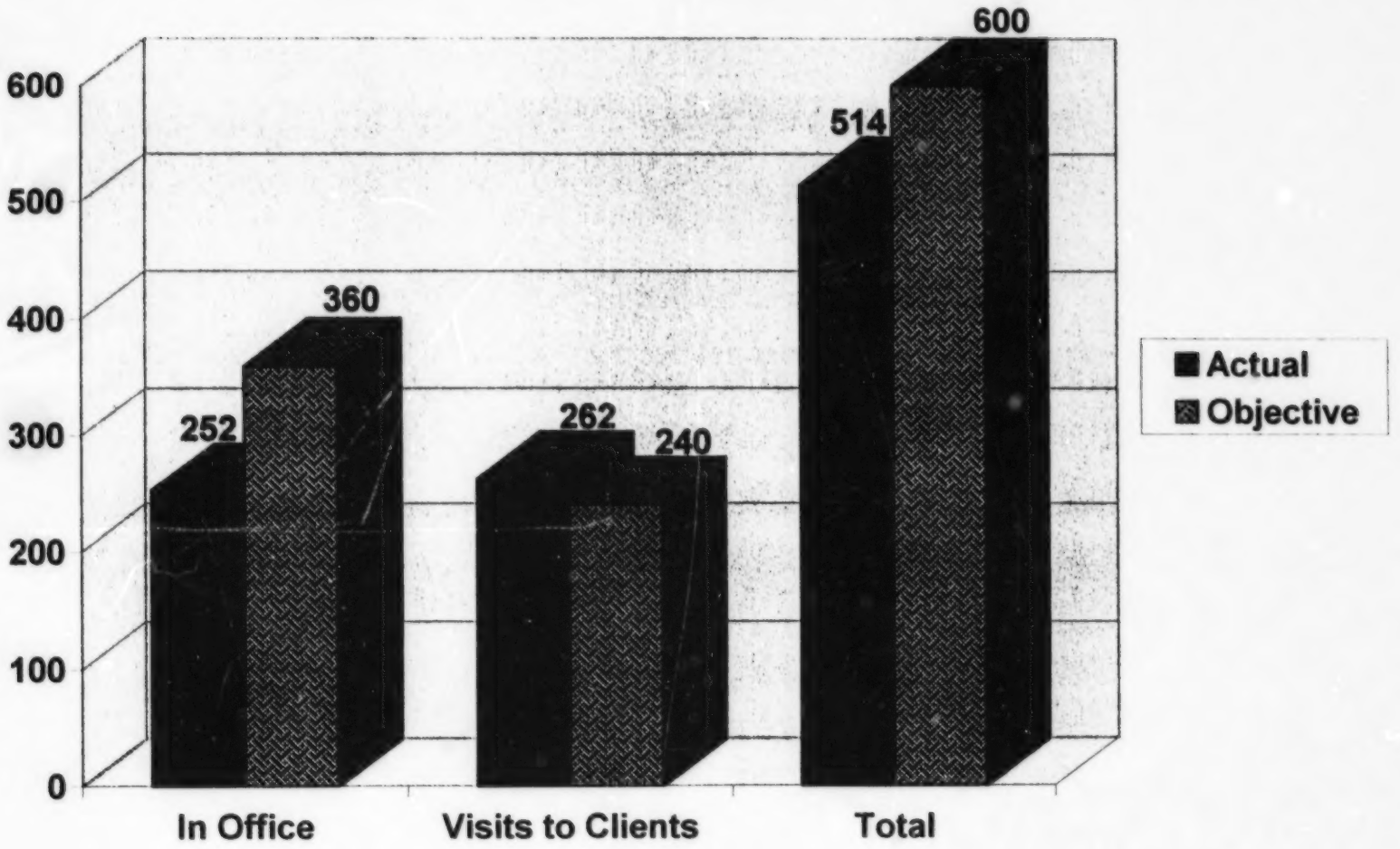
Commission staff continue to offer assistance, advice and guidance in the establishment of new businesses and to help existing businesses grow in order to foster economic development in all sectors of the economy.

The Commission also assisted with the preparation of business plans, and advice regarding government assistance programs.

4.3 New Businesses Created

With the assistance of the Commission's Economic Development Officers, **42** new businesses were established and **3** businesses expanded during the 1998/99 fiscal year.

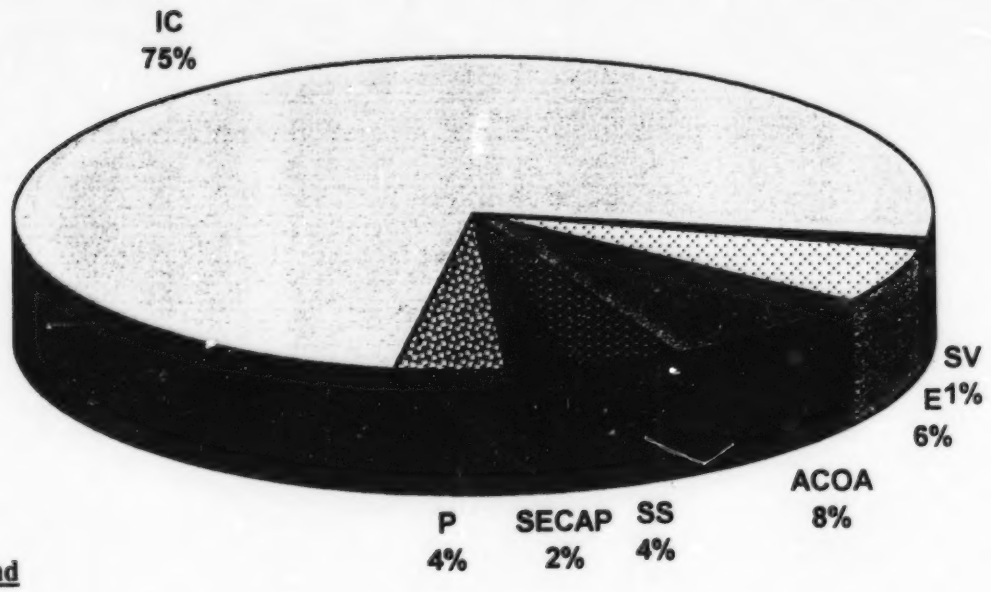
Client Contact - Fiscal Year 1998/99



ALLOCATION OF HUMAN RESOURCES

(A) CLIENT COUNSELLING

Percentage of Time Spent on Programs



Legend

IC - General Information and Counselling
P - Partners Program (Advanced Education and Labour)
SECAP - Small Entrepreneur Capital Assistance Program (Economic Development Tourism and Culture)
SS - Self-Start Program (EDT&C)
SV - Student Venture (Advanced Education and Labour)
ACOA - Atlantic Canada Opportunities Agency
E - Entrepreneur Program (Advanced Education and Labour)

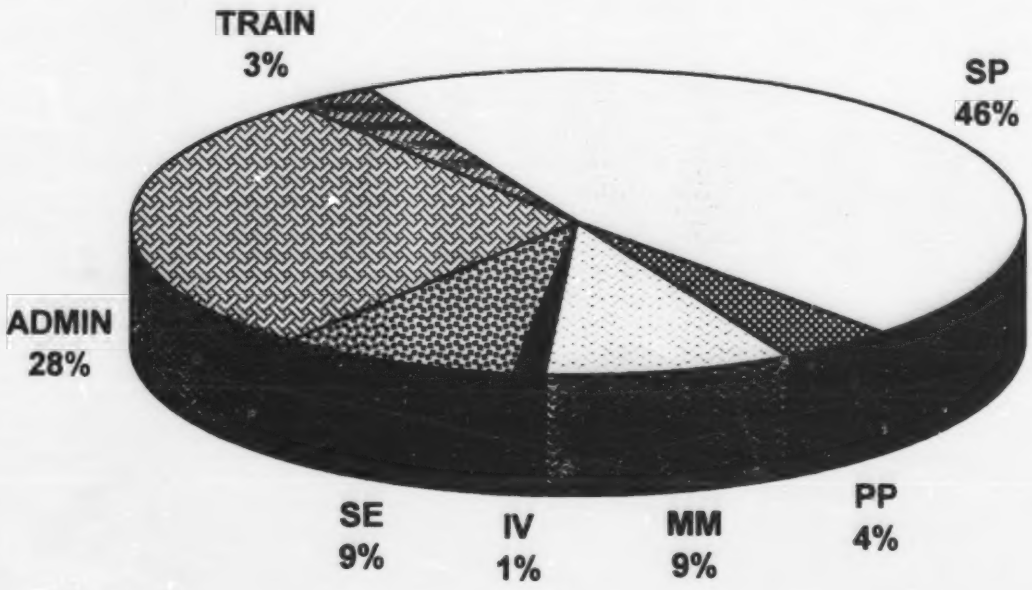
The majority of the time of the Commission's Economic Development Officers with clients is spent on general information and counselling. This confirms the function of the FRDC as being the first point of contact for the region's entrepreneurs.

Subsequent meetings are usually focused on a specific applicable government assistance program(s) and/or may include other related economic development partners such as the department of Agriculture and Rural Development, Economic Development and Tourism, Advanced Education and Labour, Business Development Bank, Community Business Development Corporation, National Research Council and many others.

ALLOCATION OF HUMAN RESOURCES

(B) NON-CLIENT COUNSELLING

Percentage of Time Spent on Non-Client Counselling Activitites



Legend

SP - Special Projects
SE - Special Events
PP - Presentation and Promotion
MM - Membership Meetings
IV - Incoming Visitors (Foreign investment)
Staff - Staff Meetings
Train - Staff Training
Admin - Administration

The Commission staff promotes economic develpment in many other ways besides direct client business counselling. This chart demonstrates some of the regional economic development activities the Commission participates in.

5.0 PROGRAM ACTIVITY AND APPROVALS

5.1 Program Activity

Program	Objective	Actual	Total Value of Assistance
ACOA Business Development Program	as received	6	$1,871,581
SEED Program	0	1	$15,000
Self - Start	5	2	$20,000
SECAP Small Entrepreneur Capital Assistance Program	8	3	$69,085
Student Venture	6	9	$27,000
Entrepreneur	28	24	$224,200
TOTAL	**47**	**45**	**$2,226,866**

5.2 Program Approvals

The Fundy Region's business community received financial assistance through government programs to establish new businesses or for expansion of existing businesses. The following is a breakdown of funding by county, as well as a list of companies which received the funding:

	Financial Assistance Received
St. John County	$131,085
Kings County	$558,700
Charlotte County	$1,537,081
Total Funding	**$2,226,866**
Total cost for these projects was over	**$3 million**

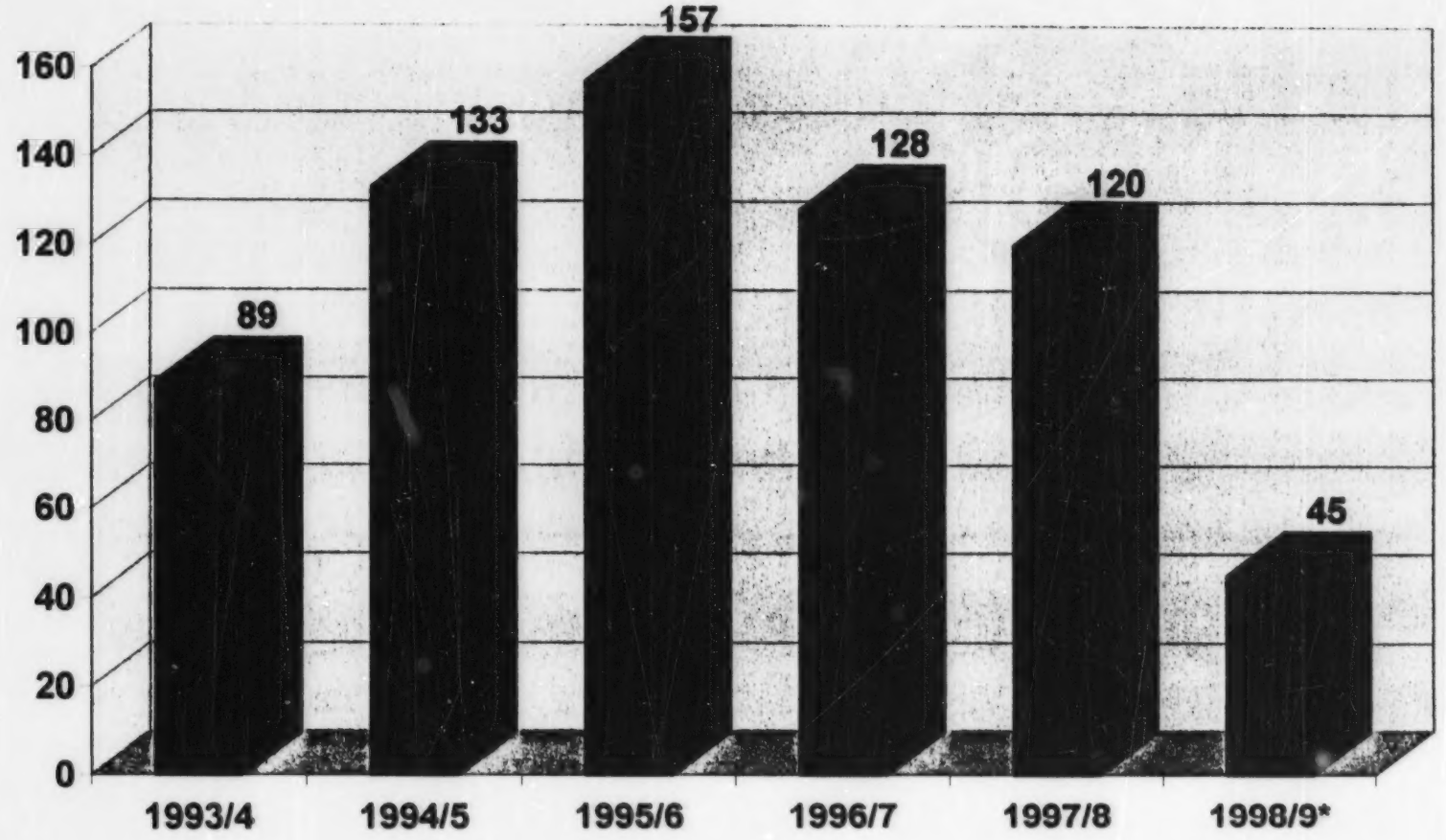
This financial assistance resulted in the establishment of **42** new businesses in the Fundy Region and expansion of **3** existing businesses. These projects only include those businesses that the Fundy Region Development Commission directly assisted.

PROGRAM SUMMARY - APRIL 1, 1998 - MARCH 31, 1999 KINGS COUNTY				
	Applicant	**Location**	**Program**	**Amount**
1.	Darlings Island Hair Care	Kings County	Entrepreneur	7,000
2.	High Level Enterprises	Kings County	Entrepreneur	10,000
3.	Hoddinott Services	Kings County	Entrepreneur	10,000
4.	Maston Select Cutting	Kings County	Entrepreneur	10,000
5.	Banah Products & Services	Kings County	Entrepreneur	10,000
6.	K.S. Industrues	Kings County	Entrepreneur	4,200
7.	Jeff's Hardwood	Kings County	Student Venture	3,000
8.	Matthew Brown Lawn Care	Kings County	Student Venture	3,000
9.	Lawn Enforcers	Kings County	Student Venture	3,000
10.	Valley Auto Shine	Kings County	Student Venture	3,000
11.	Alternative Lawn Care	Kings County	Student Venture	3,000
12.	Smokey's Extinguishers	Kings County	Entrepreneur	10,000
13.	Dycon-Dynamic Concrete Surfacing	Kings County	Entrepreneur	10,000
14.	Commercial Tent Rentals & Sales Ltd.	Kings County	ACOA	122,500
15.	Dairytown Products Ltd.	Kings County	ACOA	350,000
TOTAL FOR KINGS COUNTY				**$558,700**

PROGRAM SUMMARY - APRIL 1, 1998 - MARCH 31, 1999 CHARLOTTE COUNTY				
	Applicant	**Location**	**Program**	**Amount**
1.	Karen's Pampered Pets	Charlotte County	Entrepreneur	5,000
2.	Leslie's Spray Wash	Charlotte County	Entrepreneur	10,000
3.	Back to Basics	Charlotte County	Self-Start	10,000
4.	Interactive Outdoors	Charlotte County	ACOA	7,500
5.	Speed of Sound Performance	Charlotte County	Entrepreneur	10,000
6.	Parker's Shoe & Leather Repair	Charlotte County	Entrepreneur	10,000
7.	Dufour's Small Engine	Charlotte County	Entrepreneur	8,000
8.	Russell Marine	Charlotte County	Entrepreneur	10,000
9.	Card's Aquaculture Products Ltd.	Charlotte County	ACOA	218,313
10.	Sticks and Stones Manufacturing Ltd.	Charlotte County	ACOA	244,768
11.	SWP Industries	Charlotte County	ACOA	928,500
12.	Acer Garden Products	Charlotte County	SECAP	25,000
13.	Celtic Cross Pub/Restaurant Inc.	Charlotte County	Entrepreneur	10,000
14.	Fundy Aquaculture	Charlotte County	SECAP	40,000
TOTAL FOR CHARLOTTE COUNTY				**$1,537,081**

PROGRAM SUMMARY - APRIL 1, 1998 - MARCH 31, 1999 ST. JOHN COUNTY				
	Applicant	**Location**	**Program**	**Amount**
1.	Rod's Imported Eurpean Beauty Products	St. John County	Entrepreneur	10,000
2.	Arista Graphics Interact	St. John County	Entrepreneur	10,000
3.	Daniel Roberts Clayworks	St. John County	Entrepreneur	10,000
4.	Peter Buckland Gallery	St. John County	Entrepreneur	10,000
5.	Planet Kids	St. John County	Entrepreneur	10,000
6.	Moore & Associates	St. John County	Entrepreneur	10,000
7.	Princess Daycare	St. John County	Entrepreneur	10,000
8.	Compufind Inc.	St. John County	Entrepreneur	10,000
9.	The Embroidery Works	St. John County	Entrepreneur	10,000
10.	Terreo Sales Ltd.	St. John County	Self-Start	10,000
11.	Moore & Associates	St. John County	SECAP	4,085
12.	The Embroidery Works	St. John County	SEED	15,000
13.	Green Up	St. John County	Student Venture	3,000
14.	Ben Curry Painting	St. John County	Student Venture	3,000
15.	Taylor Lawn Care	St. John County	Student Venture	3,000
16.	Ellis Bonnar	St. John County	Student Venture	3,000
TOTAL FOR ST. JOHN COUNTY				**$131,085**

New Business Starts and Expansions With FRDC Assistance



* FRDC restructured

6.0 SPECIAL PROJECTS AND EVENTS

During the year, staff and board members participated in a number of special projects and events.

6.1 Special Projects

- Coordinated natural gas pipeline presentations in Sussex by proponent distributors.
- Participated in adjustment services committee meetings in both Charlotte and Kings Counties with the Department of Labour.
- Completion of the SME Aftercare project involving 105 business visitations and submission of final report.
- Creation of the Kings County Economic Development Center in Sussex and the Charlotte County Economic Center in St. Andrews.
- Membership on Fundy Trail Development Authority.
- Five information sessions for public input on economic development for the community and for the region.
- Submission to Select Committee on Natural Gas of energy demand in Sussex area.
- Preparations for Kings County and Charlotte County Job Fairs.
- Assistance with John Peters Humphrey project in Hampton.
- 2004 Committee St. Stephen
- Textile Opportunity for Charlotte County

6.2 Special Events

- NB Job Net Presentations in Sussex and St. Andrews
- Trade Team NB Annual Meeting (St. Andrews)
- Atlantic Aquaculture Exposition and Conference 1998
- Career Day NBCC St. Andrews
- CBDC Annual Meeting
- Premier's Luncheon Saint John Board of Trade
- Premier's Luncheon Sussex Rotary Club

Special Events con't

* Awards Dinner Economic Developers Association of Canada - EDAC (Halifax)
* NBECA Annual Meeting (Miramichi)
* Woman Entrepreneur of the Year Award to Debbie Thorne of Oven Head Salmon Smokers
* Canada/NB Business Service Center Open House
* Meetings with Sussex business community to create a Kings County Advisory Council for the FRDC
* Rural Prosperity Conference (Bathurst)
* Presentations on Opportunities for Electronic Commerce for Rural SME's (St. Andrews, Sussex and Hampton)

7.0 PROMOTION OF THE REGION

The FRDC maintains a number of databases on the region for use by entrepreneurs in the development of their business plans and by outside firms and the Investment Division of EDT&C in their business prospecting activities. These include available human resources by occupation; available land and buildings in the Fundy Region's 4 industrial parks; and a listing of the region's businesses by location, name and sector.

In addition, the municipal profiles of the member municipalities are constantly being updated. The FRDC received a bronze award for our series of municipal profiles at the Awards Ceremony of the Economic Developer's Association of Canada Annual Conference held in Halifax in October, 1998.

8.0 TRAINING

Staff attended the following workshops and training sessions as part of their career professional development:

* Career Track Training, Workshop for Women (Moncton)
* Internet Training at Samuel de Champlain Center
* CDS Training (Saint John)
* EDAC Training Seminar (Halifax)
* Canada/NB Business Center Business Information Workshop (St. Stephen)

9.0 FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

FUNDY REGION DEVELOPMENT COMMISSION INCORPORATED

March 31, 1999

ERNST & YOUNG

AUDITORS' REPORT

To the Board of Directors of
Fundy Region Development Commission Incorporated

We have audited the statement of financial position of the **Fundy Region Development Commission Incorporated** as at March 31, 1999 and the related statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles adopted for New Brunswick municipalities.

Ernst • Young LLP

Saint John, Canada,
May 7, 1999.

Chartered Accountants

Fundy Region Development Commission Incorporated

STATEMENT OF FINANCIAL POSITION

As at March 31, 1999

	1999				1998
	General Fund $	Capital Fund $	Reserve Fund $	Total $	Total $
ASSETS					
Current					
Cash	7,264	—	98,020	105,284	236,470
Accounts receivable	38,194	—	—	38,194	46,269
Prepaid	1,930	—	—	1,930	3,453
Interfund loan receivable	—	—	—	—	3,856
Due from Reserve Fund	—	—	—	—	5,114
	47,388		98,020	145,408	295,162
Fixed					
Computer equipment	—	6,066	—	6,066	6,066
Vehicle	—	26,464	—	26,464	26,464
Long term receivable	—	—	—	—	12,500
	47,388	32,530	98,020	177,938	340,192
LIABILITIES AND EQUITY					
Current					
Accounts payable and accrued charges	14,278	—	—	14,278	40,398
Due to ACOA *[note 7]*	—	—	—	—	7,500
Committed Loan Capital for Seed Connexion Program *[note 7]*	—	—	—	—	30,000
Due to General Fund	—	—	—	—	5,114
Deferred revenue *[note 4]*	23,834	—	—	23,834	54,426
	38,112	—	—	38,112	137,438
Long term					
Interfund loan payable	—	—	—	—	3,856
Long-term debt	—	—	—	—	12,500
	—	—	—	—	16,356
Equity					
Investment in assets	—	32,530	—	32,530	28,674
Internally restricted	—	—	98,020	98,020	157,622
Surplus	9,276	—	—	9,276	102
	9,276	32,530	98,020	139,826	186,398
	47,388	32,530	98,020	177,938	340,192

See accompanying notes

Fundy Region Development Commission Incorporated

STATEMENT OF REVENUE AND EXPENSES

As at March 31, 1998

	1999			1998
	General Fund $	Reserve Fund $	Total $	Total $
Revenue				
Cooperation Agreement	245,925	—	**245,925**	268,513
Province of New Brunswick	18,565	—	**18,565**	—
Municipal members *[note 3]*	18,134	—	**18,134**	100,720
Rent revenue	7,201	—	**7,201**	36,064
Special Projects	44,428	—	**44,428**	77,908
Challenge grants	3,759	—	**3,759**	3,587
Interest	1,344	4,551	**5,895**	7,515
	339,356	4,551	**343,907**	494,307
Expense				
Salaries and benefits	218,159	—	**218,159**	275,200
Special Projects	48,405	—	**48,405**	92,735
Office occupancy *[note 5]*	13,944	—	**13,944**	37,238
Travel	21,429	—	**21,429**	21,400
Telephone and postage	17,281	—	**17,281**	20,155
Restructuring expenses	15,991	—	**15,991**	—
Office equipment	12,040	—	**12,040**	14,183
Training and development	6,007	—	**6,007**	12,972
Directors' expenses	6,217	—	**6,217**	11,342
Office supplies	5,682	—	**5,682**	8,887
Promotion	4,906	—	**4,906**	8,255
Automobile - maintenance	6,208	—	**6,208**	7,011
Professional fees	6,084	—	**6,084**	4,707
Automobile - principal repayments- & interest	4,035	—	**4,035**	4,200
Subscriptions and associations	2,494	—	**2,494**	3,932
Insurance	2,648	—	**2,648**	3,303
Other	2,005	—	**2,005**	2,818
Bank charges	800	—	**800**	757
	394,335		**394,335**	529,095
Surplus (Deficit) from operations	(54,979)	4,551	**(50,428)**	(34,788)

See accompanying notes

Fundy Region Development Commission Incorporated

STATEMENT OF CHANGES IN FUND BALANCES

As at March 31, 1999

	1999				1998
	General Fund $	Capital Fund $	Reserve Fund $	Total $	Total $
Fund balances, beginning of year	102	28,674	157,622	186,398	217,500
Surplus (Deficit) from operations	(54,979)	—	4,551	(50,428)	(34,788)
Repayment of long-term Interfund loans	(5,114)	3,856	5,114	3,856	3,686
Appropriation from (to) General fund	69,267	—	(69,267)	—	—
Fund balances, end of year	9,276	32,530	98,020	139,826	186,398

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

As at March 31, 1999

1. PURPOSE OF THE ORGANIZATION

The Fundy Region Development Commission Incorporated ["Commission"] is incorporated, without share capital, under the laws of the Province of New Brunswick.

The mandate of Fundy Region Development Commission is to foster economic development in all sectors of the economy for rural Charlotte, Kings and St. John Counties. The commission works with entrepreneurs and all levels of government to encourage and assist in the establishment of new businesses, to help existing business grow, and to reinforce the local economic mix by attracting new business from outside the Region. Effective June 1, 1998, Saint John and surrounding municipalities were governed by The Greater Saint John Economic Development Commission Incorporated and the Commission was no longer responsible for the delivery of the SEED Connexion Program of ACOA.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared to conform in all material respects to the accounting principles prescribed for New Brunswick municipalities by the Department of Municipalities, Culture and Housing.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Commission. the accounts of the Commission are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. Transfers between the Funds are made when it is considered appropriate and authorized by the Board of Directors. To meet these objectives of financial reporting and stewardship over assets, certain Interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These Interfund transfers are recorded as a component of changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

[a] General Fund

The General Fund accounts for the Commission's operational activities. The General Fund reports unrestricted resources available for immediate purposes.

2. SIGNIFICANT ACCOUNTING POLICIES [continued]

[b] Reserve Fund

The Reserve Fund reports, as revenue, resources that are to be used for specific purposes as specified by the Board of Directors and, as expenses, the use of these resources for the specified purposes.

[c] Capital Fund

The Capital Fund reports resources that are required to be maintained by the Commission on a permanent basis.

Revenue recognition

Major sources of revenue are recorded on an accrual basis.

Expenditure recognition

Expenditures are recorded on an accrual basis. Outstanding commitments for goods and services relating to the current year are accrued at the balance sheet date.

Property and equipment

Capital assets and projects in progress are recorded at cost. The Commission does not record depreciation on its property and equipment. Funds received through capital assistance programs, cost sharing arrangements or by way of loan forgiveness are treated as additions to equity in capital assets. Equipment and furniture are expensed as the costs are incurred. The amount expensed in 1998/1999 was $4,310 (1997/1998 - $15,300).

Interfund Transfers

Interfund Transfers consists of $69,267 transferred from the Reserve Fund account to the General Fund, as approved by the Board.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 1999

3. MUNICIPAL MEMBERS' REVENUE

The Province of New Brunswick, through the Department of Economic Development & Tourism, and the participating municipalities provide operating funds to the Commission based on the approved budgeted expenditures of the Commission. Participating municipalities and their contributions to operations are as follows:

Municipal unit	1999 $	1998 $
Saint John	1,877	57,499
St. Stephen	—	6,489
Sussex	5,305	5,305
Hampton	3,105	4,140
St. Andrews	3,080	3,080
St. George	1,545	1,545
Grand Bay	—	4,140
St. Martins	550	550
Fairvale	—	1,260
Sussex Corner	1,346	1,346
Gondola Point	—	3,164
Westfield	—	1,087
Grand Manan	1,326	2,456
Quispamsis	—	8,659
	18,134	100,720

NOTES TO FINANCIAL STATEMENTS

As at March 31, 1999

4. DEFERRED REVENUE

Deferred revenue consists of the following:

	1999 $	1998 $
Cooperation Agreement IV	8,204	48,231
Restructuring reimbursement	9,435	—
BDC Seminars	6,195	6,195
	23,834	54,426

Approval has been granted to carry these forward for expenditure in fiscal 1999.

5. LEASE COMMITMENT

The Commission has entered into two agreements to lease their premises, one in Sussex and the other in St. Andrews for a total minimum annual charge of $15,180. In the case of the Sussex office, the commission is reimbursed half the rent ($4,590) for shared office space. The lease at the Sussex office is month to month and the lease in St. Andrews is for five years, ending 2004.

6. STATEMENT OF CHANGES IN FINANCIAL POSITION

A separate statement of changes in financial position is not presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

7. SEED CONNEXION PROGRAM

Because of the change in mandate on June 1, 1998, the loan portfolio relating to the Seed Connexion Program was transferred to The Greater Saint John Economic Development Commission. Any funds remaining were transferred back to the Atlantic Canada Opportunities Agency.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 1999

8. YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed. the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.